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UNCLAS SECTION 01 OF 02 BELGRADE 000878

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [EAID](#) [PINR](#) [SR](#)

SUBJECT: SERBIA: CITY OF NIS IS OPEN FOR BUSINESS

REF: Belgrade 745

Summary

11. (SBU) After four years under the control of reactionary nationalist parties, the city of Nis is under "new management" by pro-European forces. The new mayor is intent on opening his city for engagement with the west in an effort to attract assistance and investment. Although he is a newcomer to local politics, he has laid out clear priorities, established alliances within the national government, and appears to enjoy the confidence of the local community and business interests. End Summary.

12. (U) Pol Chief visited Nis, Serbia's third largest city, August 21-22 to attend the opening of the city's annual film festival and to meet with new Mayor Milos Simonovic, of President Tadic's Democratic Party (DS). Simonovic, in coalition with the Socialist Party of Serbia (SPS) and G-17 Plus, took office on July 29.

Nis to the U.S.: Welcome Back!

13. (SBU) Simonovic is clearly eager for increased engagement with the U.S. to overcome the disastrous legacy of his predecessor Smiljko Kostic of the New Serbia party. Under Kostic, who famously threw a going-away party for ICTY indictee General Vladimir Lazarevic, almost all of Nis's ties to the international community and cooperative projects withered. In his first weeks in office, Simonovic has invited the diplomatic corps to the film festival, asked to participate in USAID's MEGA program, and reached out to FCS about an upcoming Ohio trade delegation. He even volunteered to us that he would like to offer a better, larger space for the American Corner.

It's the Economy

14. (U) Simonovic told us on August 22 that his top priorities were reducing unemployment and improving the investment climate in order to spur economic development. He plans to pursue a range of infrastructure projects neglected under his predecessor, downsize the city administration and streamline procedures (including for construction permits), identify land for economic development, and establish an office of local economic development. He listed the electronics, mechanical, agricultural, tourism and textile sectors as the most promising for foreign investment.

15. (U) Simonovic said he was approaching economic development through the prism of European Union membership: his task was to prepare Nis to start receiving EU pre-accession funds as early as 12009. He noted that decentralization of state control will be a necessary part of the EU accession process, as certain EU funds must be administered at the regional level; he hopes for passage of a new

law on administration soon. Simonovic also underscored the need for additional legislation on local government property to facilitate development.

Importance of Foreign Investment

¶6. (U) Simonovic stressed how much he valued the presence of Philip Morris, which purchased the local Tobacco Industry of Nis in 2003 for 513 million, employs 1100 local residents, and donates 1 million per year to local causes. He met with the director of Philip Morris on August 21 to begin rebuilding a relationship between the city and its largest investor. Former Mayor Kostic, even though he once worked as director of Nis Tobacco Industry, was reportedly hostile toward the company and had no direct contact with its management.

¶7. (SBU) Miodrag Stojadinovic from Philip Morris told us that Simonovic is known as an earnest, honest person with deep roots in Nis who lacks experience in local politics but has close relations with Deputy PM Bozidar Djelic (DS). (Minister of Defense Dragan Sutanovac is also a friend; he attended the film festival opening and dinner afterward.) Djelic reportedly promised Simonovic that he would help drum up attendees for an October 2 investment forum being sponsored in part by Philip Morris. Stojadinovic observed that former Prime Minister Zoran Zivkovic, who had returned to Nis to live, could complicate the situation for the DS locally if he decided to return to politics. (Local media reported on August 23 that Zivkovic planned to form his own party.)

¶8. (SBU) Comment: The change in the political atmosphere in Nis is striking, and has attracted the attention of the international community -- many of our diplomatic colleagues have already visited

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or are planning to soon. Whether this new international engagement results in the increased prosperity that the voters of Nis are expecting, however, depends not only on the ability of Simonovic and his team to produce, but also on the national government to give local leaders the tools they need. End comment.

¶9. (SBU) Simonovic bio: Milos Simonovic was born in Nis on May 31, 1973. He earned bachelors and masters degrees from the Nis University, Faculty of Mechanics, with a scholarship of the Fund for Youth Talents of the Republic of Serbia. Simonovic worked at the Nis University as an assistant professor of robotics until his election as Mayor in July 2008. He became a member of the Democratic Party in 1993, where he headed the Club of the Democratic Youth, and served as vice-president of the Democratic Youth. Simonovic became president of the DS Nis chapter in October 2006. He served as a Member of Parliament for two terms, and was a member of the Parliament's Committee for Industry, Transportation and Communications. The ruling coalition of the Nis Assembly, composed of the DS, SPS and G-17 Plus, elected Simonovic as Mayor of Nis on July 29, 2008. Simonovic speaks English and Russian, and some German. He is married and has a daughter Nadica born in June 2008.

MUNTER